

7. Financial Arrangements for OCs

Q209 :

Section 27 of the BMO stipulates that an MC shall maintain proper books or records of account and other financial records and shall prepare, within the stipulated time period, financial statements. What is meant by “financial statements”?

A :

Financial statements shall include –

- (a) an income and expenditure account which gives a true and fair view of the financial transactions of the corporation for the period to which it relates; **and**
- (b) a balance sheet which gives a true and fair view of the financial position of the corporation as at the date to which the income and expenditure account is made up.

The financial statements shall be signed by –

- (a) the MC chairman; **and**
- (b) the MC secretary or treasurer.

Section 27(1) and (1AA)

Q210 :

Is it necessary for all OCs to retain an accountant for the auditing of the financial statements?

A :

No. For OCs that are incorporated in respect of a building which contains not more than 50 flats, it is not mandatory for them to retain an accountant for the auditing of the financial statements.

That said, we strongly advise all buildings to arrange for an independent checking on their financial statements for the better protection of the owners' interests.

Section 27(1A)

Q211 :

According to section 27(1A) of the BMO, except in the case of an OC incorporated in respect of a building which contains not more than 50 flats, the financial statements prepared by the MC under section 27(1) of the BMO shall be audited by an accountant as approved under section 27(1A) of the BMO. In this connection, should the accountant be retained by the OC by a resolution passed at a general meeting or can the accountant be retained by the MC by a resolution passed at a meeting of the MC?

A :

The purpose of the audit is to obtain an independent professional opinion on the accuracy of the financial statements. The accountant shall be retained by the OC as may be approved by a resolution passed at a general meeting. Retaining an accountant by the MC to audit the financial statements prepared by the same MC may raise doubts about the credibility of the opinion of the accountant.

Section 27(1A)

Q212 :

What is meant by “flat”? Is carpark counted as a flat?

A :

In the BMO, “flat” means any premises in a building which are referred to in a DMC whether described therein as a flat or by any other name and whether used as a dwelling, shop, factory, office or for any other purpose, of which the owner, as between himself and owners or occupiers of other parts of the same building, is entitled to the exclusive possession.

In counting the number of flats for the purposes of section 27(1A) (which provides that for a building with an OC and contains 50 flats or more, the OC has to arrange for the audit of the financial statements), “flat” does not mean any garage, carpark or carport.

Sections 2 and 27(1B)

Q213 :

If an OC is required to retain an accountant for the auditing of the financial statements, is the MC required to lay before the general meeting of the corporation the audited financial statements and the accountant’s report?

A :

For buildings with more than 50 flats, the financial statements shall be audited by an accountant retained by the OC. Such audited statements and the accountant’s report shall be laid before the corporation at the annual general meeting of the corporation.

Section 27(1) and (1A)

Q214:

If an owner wants to know more about the financial position of the OC, what can he do?

A :

The owner may know more about the financial position of the OC through the following ways –

- (a) attend the annual general meeting of the corporation, as the financial statements shall be laid before the corporation at such meeting;
- (b) inspect the books of account of the corporation;
- (c) obtain a copy of the budget prepared by the MC on the payment of a copying charge;
- (d) obtain a copy of the financial statements and if the building has more than 50 flats, a copy of the accountant’s report, on the payment of a copying charge;
- (e) obtain a copy of the summary of income and expenditure of the corporation, which is prepared by the MC treasurer for each consecutive period of 3 months, on the payment of a copying charge;
- (f) inspect bills, invoices, vouchers, receipts and other documents referred to in the books or records of account after fulfilling certain criteria.

Section 27, Sch. 5 and 6

Q215 :

If an owner wants to inspect the bills, invoices, vouchers, receipts and other documents referred to under paragraph 1 of Schedule 6 to the BMO, what should he do?

A :

The owners may adopt the following courses of action –

- (a) not less than 5% of the owners may request the MC to permit them or any person appointed by them to inspect the bills, invoices, vouchers, receipts etc; **or**
- (b) an owner may apply to the court for an order authorizing the owner, or any other person named in the application, to inspect the bills, invoices, vouchers, receipts etc. The court may make an order if it is satisfied that the application is made in good faith and that the inspection is for a proper purpose.

Para 1A, 1B and 1C of Sch. 6

Q216 :

Should the phrase “5% of the owners” referred to under paragraph 1A of Schedule 6 to the BMO be interpreted as 5% of the total number of owners or 5% of the total number of shares?

A :

“5% of the owners” referred to under paragraph 1A of Schedule 6 means 5% of the total number of owners, without regard to the shares owned by such owners.

Section 5B, para 1A of Sch. 6 and Sch. 11

Q217 :

Do owners have to pay charge in obtaining copies of financial documents of an OC? If yes, who shall determine such charge and what is the usual level of copying charge?

A :

Owners have to pay copying charge in obtaining copies of financial documents of OCs. Such charges shall be determined by the MC.

Para 3 of Sch. 6

We strongly encourage all MCs to be as transparent as possible in their operation. Transparency in operation is conducive to effective building management and the relationship with owners. We therefore urge MCs to set a lower copying charge for owners to obtain the financial documents. As a point of reference, most OCs charge around \$1 to \$5 per page.

